

Message Text

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ACTION EB-07

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SUBJECT: MOBIL/TEXACO COMPENSATION

SUMMARY: NOW THAT COMPENSATION COMMISSION HAS REVIEWED OIL COMPANIES' CLAIMS, MOBIL AND TEXACO HAVE REITERATED TO MINISTER OF MINES THEIR STRONG DESIRE BEGIN NEGOTIATION ON AMOUNTS. LATTER REITERATED GOZ DECISION TO COMPENSATE; SAID FURTHER WORK NEEDED BY COMMISSION, AND THOUGHT NEGOTIATIONS COULD BEGIN IN JANUARY.

1. AS YEAR END APPROACHES, AND WITH IT ANNIVERSARY OF GOZ TAKEOVER OF POL DISTRIBUTION COMPANIES, MOBIL AND TEXACO HAVE DEMONSTRATED INCREASING IMPATIENCE OVER FAILURE OF GOZ TO OPEN NEGOTIATIONS ON THE ISSUE OF COMPENSATION. IT IS TRUE THAT THE GOZ'S COMPENSATION COMMISSION HAS BEEN WORKING WITH THE VARIOUS COMPANIES INVOLVED AND THAT THE COMMISSION HAS SUBMITTED A FIRST REPORT TO THE EXECUTIVE COUNCIL. BUT MOBIL AND TEXACO WANT TO START TALKING MONEY, AND WITH THE AIM IN MIND OF TRYING TO GET THE NEGOTIATIONS STARTED, LEONARD (MOBIL) AND SEIBERT (TEXACO) CALLED ON THE MINISTER OF MINES MUNTU, ON DECEMBER 5. THE ECONOMIC COUNSELOR, AT AMBASSADOR'S REQUEST, ACCOMPANIED THEM. HE DID NOT ATTEMPT TO PRESENT THE MOBIL/TEXACO CASE, BUT RATHER BY HIS PRESENCE TO SHOW THE CONTINUING INTEREST OF THE USG IN A SATISFACTORY

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RESOLUTION OF THE COMPENSATION ISSUE.

2. SEIBERT LED OFF BY MAKING THE BASIC POINT THAT A YEAR HAD GONE BY AND THAT NOW HIS COMPANY WAS BECOMING INCREASING CONCERNED OVER THE LACK OF PROGRESS ON COMPENSATION. HE ALSO SUGGESTED THAT THE GOZ MAKE AN IMMEDIATE, PARTIAL PAYMENT TO TEXACO AND OTHER COMPANIES FOR THEIR COMPENSABLE ITEMS OVER WHICH THERE WOULD BE NO ARGUMENT--E.G. TEXACO BANK ACCOUNT ON POL STOCKS THAT WERE TAKEN OVER. LEONARD DID NOT MAKE THE DOWN-PAYMENT PITCH, BUT HE DID POINT OUT IN NO UNCERTAIN TERMS THAT MOBIL HEADQUARTERS WANTED TO SEE MOVEMENT ON COMPESATION.

3. MUNTU REPLIED THAT THE GOZ HAD IN THE BEGINNING ANNOUNCED ITS INTENTION TO COMPENSATE ALL OF THE COMPANIES AND THAT THEY CONTINUED TO MAINTAIN THIS COMMITMENT. THE PROBLEM, MUNTU SAID, RESIDES IN THE FACT THAT THE COMPENSATION COMMISSION'S WORK HAS BEEN RENDERED DIFFICULT AND COMPLICATED BY THE MULTIPLICITY OF CLAIMS, THE DIFFERENT ACCOUNTING METHODS USED BY THE COMPANIES AND BY THE VERY BASIC LIMITATIONS IN THE COMMISSION'S EXPERTISE. HE WENT ON TO SAY THAT A FIRST REPORT BY THE COMMISSION HAD RECENTLY BEEN SUBMITTED TO THE EXECUTIVE COUNCIL, BUT THAT THE COUNCIL HAD RETURNED IT FOR FURTHER WORK ON CERTAIN POINTS. MUNTU PREDICTED THAT THE FINAL REPORT WOULD BE READY SHORTLY AND THAT NEGOTIATIONS COULD BEGIN IN EARLY JANUARY. HE ALSO SAID THAT HE DID NOT BELIEVE THE EXECUTIVE COUNCIL WOULD AGREE TO A PARTIAL PAYMENT IN ADVANCE OF NEGOTIATION PRIMARILY BECAUSE IT WOULD BE TOO DIFFICULT TO AGREE WITH ALL THE COMPANIES WHAT THOSE "DOWNPAYMENT" SHOULD BE.

4. THE ENSUING DISCUSSION RE-HASED THE ABOVE POINTS BY BOTH SIDES, WITH MOBIL/TEXACO PRESSING FOR EARLY MOVEMENT AND MUNTU REITERATING THAT THE GOZ WAS DOING ITS JOB AS FAST AS IT COULD. HE REASSURED LEONARD AND SEIBERT THAT COMPANSATION WOULD BE EFFECTED-ALTHOUGH THE FINAL AMOUNTS WOULD BE SUBJECT TO NEGOTIATION SINCE THE GOZ DID NOT NECESSARILY ACCEPT LIMITED OFFICIAL USE

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ALL OF THE COMPANIES'S REASONING. SEIBERT THEN RAISED THE OUTSTANDING GOZ DEBT TO THE COMPANIES REPRESENTING THE GOVERNMENT'S SUBSIDY PAYMENT DURING A PREVIOUS PERIOD WHEN WORLD POL PRICES ROSE BUT WHEN THE GOZ DID NOT WISH TO RAISE RETAIL PRICES. IN TEXACO'S CASE, THEIR CLAIM AMOUNTS TO SOME \$204,000. MUNTU SAID THAT THE EXECUTIVE COUNCIL HAD APPROVED THESE PAYMENTS TO ALL THE COMPANIES--THAT HE UNDERSTOOD

PETROFINA HAD INDEED RECEIVED ITS MONEY--AND THAT THE
AUTHORIZATION FOR THE MOBIL AND TEXACO PAYMENTS WAS IN
THE MINISTRY OF FINANCE. LEONARD AND SEIBERT SAID
THEY WOULD FOLLOW UP WITH FINANCE.

5. COMMENT: MOBIL AND TEXACO AND WE ACCOMPLISHED
IMMEDIATE PURPOSE OF LETTING THE GOZ KNOW ONCE AGAIN
THAT THEY WERE UNHAPPY OVER THE LACK OF PROGRESS ON
COMPENSATION. THE ECON COUNSELOR'S PRESENCE, WE TRUST,
COMMUNICATED THE USG'S CONTINUING INTEREST AND ALSO A WIDER
CONCERN OVER THE COMPENSATION ISSUE IT AFFECTS
THE INVESTMENT CLIMATE. MUNTU WAS SOMEWHAT DEFENSIVE, BUT
NOT OVERLY SO. EXTENT OF IMPACT OF CURRENT GOZ FOREIGN
EXCHANGE PINCH (REPORTED PREVIOUSLY) WILL PROBABLY NOT
BECOME APPARENT UNTIL ACTUAL NEGOTIATIONS GET UNDERWAY.
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